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PASS DEPT. OF ENERGY/INTERNATIONAL AFFAIRS

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TAGS: ENRG EPET JO IZ

SUBJECT: JORDAN AND IRAQ IN DISCUSSIONS ON CRUDE OIL  
SHIPMENTS

Classified By: Amb. David Hale, Reasons 1.4 (b) and (d).

¶1. (C) Embassy has confirmed press reports that Jordan and Iraq have begun discussions regarding the supply to Jordan of crude oil from the Kirkuk oil fields. The article, cited by Platts Commodity news from the August 5 issue of the London-based daily Azzaman, reported that crude supplies will start flowing to Jordan once its main refinery at Zarqa, north of Amman, is ready to receive the crude.

¶2. (C) On August 7, the Secretary General (deputy minister equivalent) of Jordan's Ministry of Energy, Khaldun Quteishat, told Ecouns that technical discussions were on-going with the Iraqis to determine whether the crude could be handled by Jordan's refinery. He said that an Iraqi technical team would visit Jordan to continue the technical discussions on August 8.

¶3. (C) Quteishat said pricing of the crude had not yet been finalized. Director General of Iraq's State Oil Marketing Organization (SOMO) Al-Amiri, currently traveling in London, will meet on August 12 with Jordanian Energy Minister Azmi Khreisat to discuss how the crude would be priced.

¶4. (C) According to Mohammed Al-Jibouri, the former head of SOMO under the CPA and currently resident in Amman, this issue arose when King Abdullah and Jordanian Prime Minister Marouf al-Bakhit asked visiting Iraqi PM Maliki last week for crude oil shipments. Jibouri said that PM Maliki had agreed to do so, once Iraq produces crude at a level over its current export commitments.

¶5. (C) Jibouri added that the technical team would visit the Zarqa refinery to determine whether the Iraqi crude could be refined without blending. He said the quality of the Kirkuk crude had deteriorated over recent years, with its sulfur content above 2%. The crude would be cheaper than the Saudi crude Jordan currently imports, but the added security charges could offset that benefit. The only discount mentioned involved transportation and whether Jordan might move the crude with Jordanian trucks.

¶6. (C) According to Feda Gharaybah at the Jordanian Ministry of Planning (present at least one of the Maliki meetings), there is a possibility that Iraq wants to tap Zarqa's refining capacity to meet Iraqi market demands. COMMENT: The Zarqa refinery is 40 years old and already operating at capacity. This idea may have been tossed out during discussions by Iraqi officials unaware of those facts. END COMMENT.

Hale